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UNCLAS SECTION 01 OF 03 PANAMA 001431

SIPDIS

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STATE FOR WHA/CEN
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E.O. 12958: N/A

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SUBJECT: PANAMA STRIKE LEADERS EXPLAIN OPPOSITION TO CSS
REFORMS

REF: A. PANAMA 0810
[B](#). PANAMA 1184

SUMMARY

[1](#)1. (SBU) Members of the anti-CSS-reform FRENADESSO coalition -- a mixed bag of ideological leftists and bread-and-butter trade unionists -- want the GOP to pay more and the people to pay less to reform Panama's CSS than the June 1 Law 17 stipulates. During recent meetings with PolOffs, leaders of the month-long anti-CSS (social security) reform strikes agreed that the GOP has asked for too much sacrifice. They blamed CSS's troubles on alleged mismanagement, corruption, and outright theft that began nearly four decades ago under military rule (1968-1989) and continued under Panama's home-grown post-1989 "partidocracia," the so-called alternating rule by political party elites. If the GOP wrecked CSS, they reason, the GOP should fix it. Leftists within FRENADESSO -- including SUNTRACS radicals (Reftel A) -- have agitated for systemic changes and huge budget outlays. But FRENADESSO's real center of gravity is occupied by moderate middle-class teachers and health care professionals, who have legitimate-sounding historical gripes and criticisms of the current law, and some constructive proposals. The apparent reasonableness of many of FRENADESSO's criticisms demonstrates that President Torrijos may have blundered badly by rushing the passage of CSS-reform Law 17, thus exposing himself to criticism of conducting "rabiblanco" business as usual. End Summary.

FRENADESSO'S Wider Base

[1](#)2. (SBU) While the radical SUNTRACS construction union allegedly would like to highjack FRENADESSO (National Front to Defend Social Security) for its own ends, radicals do not hold the balance of power within the organization that led nearly five weeks of strikes against the GOP's Law 17 to reform Panama's social security system (CSS) -- See Reftel B. The real power is held by moderate Panamanians, including 32,000 middle-class public school teachers and 23,000 doctors, nurses, medical technicians, and administrative CSS staff. With the month-long anti-CSS strikes in quiescence since June 27, and as strike groups attend a GOP-sponsored National Dialogue, PolOffs visited strike leaders and union officials to learn their views.

FRENADESSO on the "Partidocracia"

[1](#)3. (SBU) POL Counselor on June 28 met with FRENADESSO spokesmen Andres Rodriguez and Gabriel Castillo. (Note: CONUSI is the labor umbrella group that includes the radical SUNTRACS construction union. End note.) Hardly earning his reputation as a rabble rouser, the unsophisticated, ingenuous Rodriguez calmly explained that Panamanians are discontented because decades of Panamanian governments have ignored them. Rodriguez claimed that many seasonally employed Panamanians never would reach Law 17's required level of 300 months of CSS contributions and never would be able to retire. Panamanians are fed up "to here" -- Rodriguez placed the edge of his hand level with his nose -- with the "partidocracia" (the rule of political elites who run the parties) that loots the state and produces many new millionaires at the end of every five-year presidential term. Is the Torrijos government really different? "Why hasn't Torrijos prosecuted Mireya Moscoso?" on corruption charges, Rodriguez demanded. "Is there any lack of evidence?"

"The GOP Broke CSS, the GOP Should Pay to Fix It"

[1](#)4. (SBU) Average Panamanians do not see why they must pay to fix a system the government broke, though inattention, abuse, fraud, and conspiracy, Rodriguez continued. Panamanians are angry at past governments for badly mismanaging CSS funds, stealing CSS money, and generally treating CSS as a convenient piggy bank to finance projects on the cheap and to line their own pockets, Rodriguez and Castillo said. In addition, companies that fail to enroll their workers in CSS or that enroll them but steal their contributions are never prosecuted, they maintained. Castillo spoke of the need to

"change the GOP's vision" at the National Dialogue. "If the government wants to keep Law 17 as is, we'll be back on the streets," he said.

The Case of the Missing \$400 Million

15. (SBU) In recent meetings with PolOff, moderate teacher and health union officials tied many of FRENADESSO's complaints to abuses of CSS allegedly committed by President Torrijos's father, the dictator Omar Torrijos. To shore up his popular support during the 1970s, they said, Omar Torrijos opened CSS health benefits to spouses, children, and parents of CSS contributors but did nothing to increase funding. As a result, fewer than 700,000 people currently contribute to CSS but over two million receive benefits. Many FRENADESSO members believe the 1968-1989 military dictatorship stole \$400 million from a now-defunct special retirement program, which they accuse the 1994-1999 Perez Balladares administration of covering up. At that time, the GOP issued bonds for the missing millions, a tactic that increased Panama's external debt and enriched bankers while impoverishing CSS.

A Costly, Utopian Program

16. (SBU) Rodriguez and Castillo presented a utopian program, one that would replace Panama's current pay-as-you-go CSS system (which continues under Law 17) with a "fully capitalized" one. Further, Rodriguez and Castillo want Panama to adopt a "National Development Plan" that would commit all future Panamanian governments to improve health and education. In addition, they would add to CSS the one million Panamanians who are currently not enrolled (although the teachers' and health unions probably would not agree).

The money to fund such a project would come from

- rescheduling Panama's international debt, which swallows 21-22% of Panama's annual budget, much of which was obligated under military rule

- administering Panama's fiber optic cable networks

- Banco Nacional profits

- profits from the reverted areas of the former Canal Zone, and

- Canal profits. (Comment: Many Panamanians believe, not unjustly, that they have seen no direct dividend from the Canal windfalls. End Comment.)

Drastic Drop in Teachers' Benefits

17. (SBU) Law 17 will have a hugely negative economic impact on teachers, Teacher union officials told PolOff. It also broke the GOP's past commitments to them, turning the teachers' special retirement plan (PRAA) on its head. According to union officials, Law 17 created an unexpected three-year gap in coverage (due to the increased retirement age). Teachers who had been paying into the special system and were planning to retire suddenly found they could not. Under the old CSS law, teachers could collect a pension after 15 years (180 months), but could increase their pension to 82% of average salaries by working for an additional 15 years. Under the reforms, teachers cannot retire until they have contributed to CSS for 300 months (25 years) and their pension at that time will equal only 60% of their salary average.

Medical Workers' Criticisms

18. (SBU) Similarly, CSS medical workers claim that Law 17 does nothing to address poor administration or improve CSS autonomy, while hitting doctors disproportionately hard. According to a health worker union official, the reforms do nothing to curb either the Ministry of Health's administrative powers over CSS money and resources or CSS payments for referrals to private clinics in non-extraordinary cases.

Further Increase in GOP Control of CSS

19. (SBU) Medical workers claim that Law 17 further politicizes the CSS by strengthening the president's discretionary powers. Despite continued pleas by FRENADESSO member groups to make CSS more autonomous, Law 17 gives the presidentially appointed CSS Director carte blanche over the CSS administration. An official representing 3,000 CSS physicians and health worker professionals (AMOACSS) said that even prior to Law 17, the president had never appointed an AMOACSS nominee to the CSS Board of Directors. The AMOACSS official claimed that Law 17 permits the CSS Director to fire medical workers, cancel programs, and direct resources at his will, unconstrained by any input from stakeholders in the system.

CSS Reforms Discriminate Against Doctors

10. (SBU) Physicians also complain that a provision in Law 17 that requires them to give an ever increasing percentage of their income from private clinics to CSS will degrade their standard of living, compared with other professionals. While the new law requires doctors to pay 11% of their income (and more later) into CSS without receiving any additional benefit, an AMOACSS official said, other Panamanians who make more than \$48,000 a year do not pay anything to CSS on their marginal income. Physicians may be willing to pay more if other professional Panamanians do.

Comment

11. (SBU) It is increasingly apparent that Law 17 will not survive the National Dialogue in its present form. Not only will Torrijos probably have to agree to drop the required number of 300 monthly contributions, to 240 (180 under the old law), many observers also believe he probably will have to accept "fixing" CSS for less than the 40 years he had aimed for. Panamanians just can't be convinced to make what they believe are unjustified sacrifices for some abstract "future." Going forward, Torrijos will have to be mindful of his family "baggage" -- many of CSS's current problems originated during the rule of his dictator father Omar -- and of the bitter perception, increasingly shared by average Panamanians, of the injustice and inequality that they face in their daily lives. As one wealthy, well known Panamenista politician put it, How can the government plead poverty when it spends close to \$40 million a year on the National Assembly, and pays the 78 legislators \$132,000 a year? (The minimum wage is \$200 a month.) The people aren't stupid, he said. If rich Panamanians keep building luxury beach houses, do not look out for their employees, and refuse to start reforming Panama's political and social system, then in five, ten, or twenty years, the poor Panamanians -- not us -- will be the ones who reform it.

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